



CAREER MATTERS

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U.S. AIR FORCE

ISSUES ON THE HORIZON

SMSgt Jody Rodarmel

The changing of the calendar to 2001 is on the immediate horizon. As we usher in the New Year, we will be approaching the implementation of three very important programs. The first program deals with increasing the exposure of the Air Force to the civilian populace. Our Air Force is putting over 1600 additional recruiters in the cities and towns across the United States to increase our availability and increase our accessions. Volunteers are being sought to fill these critically needed voids. Non-volunteers selections are possible, depending on the volunteer numbers.

The second program being implemented is the changeover from REDUX to the High 3 retirement system. Starting shortly after the New Year, members approaching their 15th year in service anniversary date will be notified to make a choice between REDUX or the High 3 program.

The third program is the Thrift Savings Plan (TSP). TSP participation was part of the National Defense Authorization Act for FY01 which gives military members the option to participate in a 401K style retirement plan.

This newsletter contains the latest information on all three programs as of 18 Dec 00. The guidelines for all the programs are still being finalized, this information is a prelude for what is to come.

COMMANDERS NOTAM 00-7

GENERAL RYAN

Fortunately, with a lot of hard work and innovation, we beat our overall recruiting goal this year. However, the battle has just begun. This past spring and summer, we sent approximately 300 prior recruiters TDY back to the field and the results were almost immediate: 12,000 contacts, 10,000 inter-

views, and 1,100+ recruits. This deployment produced outstanding results, and validated what our gut instincts and past data already told us – we need recruiters in the field, recruiting face to face, to get people to join.

Just 15 months ago, we had only 890 recruiters in the field (compared with 6,000+ in the Army). Our recruiters have always held their own despite being far outnumbered by the other service recruiting staffs, but being outnumbered in a hot economy is stretching this thin staff too far. It's time to pump up our recruiting manning.

In the past, filling recruiter requirements through the volunteer system has served us well. However, attaining more than 1,600 recruiters will require a process change. Therefore, the SECAF and I approved a process to ensure our very best NCOs are "selected" to represent us in the cities and towns of America and our overseas bases.

We are calling this a "selection" process for a reason. This is a very discriminating process that handpicks recruiters through commander's involvement, multiple records reviews, aptitude screening, and face-to-face interviews. This process will create a standing pool of eligible NCOs who have been singled out as the type of people we want representing the Air Force as recruiters. Once identified, NCOs will have the opportunity to volunteer for specific locations and we will attempt to place them.

Commanders and the personnel system will work together to ensure that individuals selected for these duties are well trained; equipped for the job; recognized and rewarded for their efforts; and returned to their career fields as more experienced, promotable NCOs. Here's our plan.

Because we are on such a fast track to build our recruiter numbers, AFPC has taken a broad initial cut at identifying recruiter-eligible personnel. They will notify commanders shortly of the personnel in their commands who meet the initial screening criteria. The role of the wing commander is to conduct a

quality force screening of their assigned personnel and provide recommendations on their ability to handle the unique responsibilities of recruiting duty. Remember, the people we select will represent the Air Force in America's hometowns – we need our best. Guidance on exactly how this process will work will accompany the lists sent to servicing MPFs. Ultimately, the candidate pool will consist of thousands of well-qualified NCOs from which only a few hundred recruiters will be selected each year. AFPC and your MAJCOMs will work together to ensure that individual units or career fields are not adversely impacted by these selections.

The first round of selections will be made and assignment notifications will be sent no later than 1 Mar 01 with training dates as early as 1 May 01.

Thank you for your support and involvement in this process. We must ensure everyone understands how critical this effort is to the success of our Air Force. It is important our recruiter candidates also understand we consider them to be our very best and that we will do everything we can to guarantee their success as both a recruiter and a career NCO.

AF RECRUITER SELECTION PROCESS - FY01 AND BEYOND HQ AFPC/DPA

In recent years, the Air Force has experienced difficulties in meeting enlisted accession goals. A major contributor has been the difficulty in soliciting enough volunteers to fill vacant recruiting assignments. In an effort to alleviate this problem, it is necessary to implement a new system of selecting personnel for recruiting duty. After careful review of the assignment selection for recruiting duty, it was determined a new procedure must be instituted for selection of recruiters. The ultimate goal is to create a culture in the Air Force that recognizes the significant contributions and difficult nature of special duty assignments such as recruit-

ing duty. Ultimately we will attain and sustain 1,650 non-prior service (NPS) recruiters and ensure those selected for this duty have the "right" skill sets. To accomplish this objective, it is necessary to modify the identification, selection, and subsequent assignment process. Compliance with the attached instructions is necessary to meet future needs of the Air Force.

HQ AFPC/DPAAs has identified individuals who meet the baseline criteria to become Air Force Recruiters. Their names appear in the Commanders' listing provided by AFPC. The individuals are currently SSgts (or SSgt Selects) through MSgts with less than 16 years TAFMS as of July 2001; who have a "General" AQE score of at least 30; assigned to organizations not selectively manned (Joint, NATO, instructor, etc.) and currently not performing duties in special duty/reporting identifier; if overseas, have a DEROS between October 2001 and October 2002; have an EPR rating of "5" on the last 3 EPRs; and who do not possess any quality force problems (UIF, WMP, etc.). These individuals will make up our initial pool of "potential recruiter candidates". We understand these criteria is more stringent than normally required. However, we will at a later date revise these requirements as the process evolves. Our goal is to develop a permanent change to the selection process. These initial requirements were developed as the most efficient measure to arrive at 1,650 NPS recruiters by Dec 2001.

Squadron commanders will screen individuals identified for possible recruiting duty and provide recommendations to the MPF.

Upon receipt of each commander's listing, the MPF must forward a complete listing of recommendations to the local wing commander for certification of commander's recommendations. Upon certification, the MPF will update the database, indicating Commander's Recommendation or Nonrecommendation.

RETIREMENT CHOICE

Office of the Secretary of Defense

Members who entered the service after July 31, 1986, will be given a choice of retirement plans at their 15th year of service. There are two options:

Take the pre-1986 retirement system (High-Three Year Average System) OR Elect the post-1986 retirement system (Military Retirement Reform Act (MRRRA) of 1986, commonly referred to as REDUX) and take a \$30,000 career retention bonus.

The REDUX retirement system and career retention bonus is a "package deal." It is the combination of these two items that can be advantageous to many individuals. The REDUX portion determines retirement income (the longer one's career, the higher that income) and the \$30,000 career retention bonus provides current cash-available for investing, major purchases, or setting up a business after retirement.

REDUX has several features that are less well known than the reduced 20-year multiplier which changed from 50% in High-Three to 40% under REDUX. Both the multiplier calculation and annual cost of living adjustments differ from the High-Three system. Also, REDUX has a catch-up increase at age 62 that brings the REDUX retired pay back to the same amount paid under the High Three System. REDUX is the only military retirement system with this feature.

Each of the first 20 years of service is worth 2.0% toward the retirement multiplier. But each year after the 20th is worth 3.5%. Hence, $2.0\% \times 20 \text{ years} = 40\%$. But a 30 year career is computed by 2.0% times the first 20 years plus 3.5% for the 10 years beyond 20, resulting in 75%. This means that the retirement multiplier for a 30-year career is the same for both REDUX and High-Three.

Under REDUX, the longer an individual stays on active duty the closer the multiplier is to what it would have been under High-Three up to the 30-year point where the multipliers are equal.

In precisely the same way as High-Three, this multiplier is applied against the average basic pay for the highest 36 months of the individual's basic pay. This typically, though not always, equals the average basic pay for the final three years of service. Also, remember this is basic pay; allowances and special pays do not affect retired pay.

Cost of Living Adjustments (COLAs) for retired pay are given annually based on the increase in the Consumer Price Index (CPI), a measure of inflation. Under REDUX, the COLA is equal to CPI minus 1%.

A feature unique to REDUX is a re-computation of retirement pay at age 62. Two adjustments are made. The first adjusts the multiplier to what it would have been under High-Three. For example, a 20-year retiree's new multiplier would become 50%, a 24-year retiree's multiplier would become 60% but a 30-year retiree's would remain 75%. This new multiplier is applied against the individual's original average basic pay for his or her highest 36 months. Then the second adjustment is done. Full CPI for every retirement year is applied to this amount to compute a new base retirement salary. At age 62, the REDUX and High Three retirement salaries are equal. But, REDUX COLAs in later years will again be set at CPI minus 1%.

Those members who elect the REDUX retirement system at their 15th year receive a \$30,000 Career Retention Bonus. To receive this bonus, the member must agree to complete a twenty-year active duty career. The member, of course, may continue beyond twenty years, but the obligation is only to that point. The entire \$30,000 bonus is received shortly after the member commits to this service obligation. (Exact mechanics on administrative forms and payment procedures are still being developed, but the bonus will be paid shortly after making the decision, as opposed to receiving it at the end of the obligation or in annual installments.)

If the member doesn't complete the obligation of the twenty-year career, the member must repay a pro-rated share of the bonus.

More information is available at:
<http://pay2000.dtic.mil/>

THRIFT SAVINGS PLAN

<http://pay2000.dtic.mil>

The National Defense Authorization Act for Fiscal Year 2000 along with the Floyd D. Spence National Defense Authorization Act for the Fiscal Year 2001, authorize a Thrift Savings Plan (TSP) for military members. A Thrift Savings Plan (TSP) allows members to save a portion of their basic pay in a special account. Both the money placed into this account and its earnings would be tax-deferred until withdrawal. So, members who save \$1,000 and are in a 15% tax bracket, save \$150 in taxes for that year. Not only is there a tax savings in the year the money is placed in the account, but there are more future earnings because the money saved

on taxes goes to work making more money. Because the earnings are not taxed until withdrawn, the compounded growth can be substantial. This is a retirement account and the money can not normally be withdrawn, without penalties, until the member reaches the IRS specified age of 59½. Participants will be permitted to borrow against their TSP accounts at very favorable rates. These loans may be used to pay for cars, to purchase a home, or meet a personal need for extra cash.

Current plans would allow a member to deposit 5% of basic pay and any amount from special and incentive pays and bonuses into a TSP up to the IRS limit, currently \$10,500 per year. Unlike the Federal Employee Retirement System's Thrift Savings Plan, the government will not provide any matching funds. Even without a matching contribution, TSPs are an excellent way to save for retirement -- because their tax-deferred status enables the funds to compound more rapidly than in a taxable savings account or mutual fund.

Though the military TSP is managed by the Federal Thrift Savings Board that manages the federal civilian TSP, the military TSP will be tracked in separate accounts called UNISERV. The selection of funds will be the same as the federal civilian TSP.

There is one case where matching funds may be offered. The Secretary of Defense is permitted to establish a retention incentive that would allow matching funds of up to 5% of pay for a 6-year service commitment.

The legislation calls for members of the Uniformed Services to begin participating in the TSP within 360 days of October 30, 2000. At present, we envision that members will be able to enroll in the TSP beginning in October 2001. The extra time is necessary to ensure that the Thrift Board and DoD are able to provide timely and accurate service to the nearly 2.5 million members of the Uniformed Services who will be eligible to enroll in the TSP.

Members will sign-up to participate in the TSP during a special 60-day enrollment period known as an open season. Contributions will start in January 2002, which is the first pay period after the close of this open season.

Once this special open season closes, members who do not join when they enter the

Uniformed Services will have two "open seasons" per year to enroll.

OTHER PAY NEWS

Various sources

In January, 2001, every military member will receive a 3.7% pay raise. In July 2001, a second pay raise will occur. This is a one-time adjustment to the pay table. This pay raise is targeted to mid-grade enlisted pay. Pay tables are available at: <http://pay2000.dtic.mil>

New basic allowance for housing (BAH) rates will go into affect 1 Jan 01 but won't be seen until the 15 Jan paycheck. Most areas will see an increase in their rates. The rates will stay the same in areas where established rates are already below the 15% out-of-pocket expense directed for 2001. BAH is based on local median is based on local median rental housing costs that include rent, average utilities, and renter insurance. Data is collected each year to establish rates for the following year. Runzheimer Incorporated, the DoD contractor, places significant weight on data collected from local military housing offices. We strongly encourage your involvement in the data collection process. Runzheimer will collect data to establish 2002 median rental housing costs starting in the spring.

On 1 Jan 1998, the services began phasing in a new housing allowance called the basic allowance for housing (BAH). BAH combined variable housing allowances and basic allowance for quarters (BAQ) into one monthly payment. BAH is based on median rental costs of civilians with comparable pay, dependency status, and location. The intent of the new allowance is to provide uniformed service members housing compensation based on comparable (salary and location) civilian costs of housing and to ensure that regardless of assignment the median out-of-pocket expense would be the same for the same rank and dependency status.

Members are not longer asked to participate in an annual VHA housing cost survey; instead Runzheimer Inc. annually collects data on military housing areas and determines a median rental cost for adequate housing. There are over 400 geographic military housing areas in the United States determined by census tract data. Sources of rental housing costs include local military

housing offices (MHOs), realtors, magazines and web sites.

The Secretary of Defense directed that median out-of-pocket expenses go to zero by 2005. 2000 BAH rates were approximately 18.9% median out-of-pocket and 2001 are at 15% after a \$450M increase in BAH funding. The out-of-pocket expense percentages are applied to local median housing costs for each location, grade, and dependency status. Therefore, some areas and grades have expenses below 15%. For 2000 and again in 2001, OSD decided not to lower any BAH rates until the areas reach zero out-of-pocket. Those areas that do not show 2001 increase already pay something less than 15% out-of-pocket. Once local BAH rates equal the local median costs, then the BAH will fluctuate with the local market, just like VHA did under the old system. But in every case, rates for people already assigned to a base will never go down. Rate reductions would only apply to newly assigned personnel.

Official 2001 BAH rates are posted on the DFAS and per diem web sites: <http://www.dfas.mil/money/milpay/pay> and www.dtic.mil/perdiem.

STRETCHING THE DOLLAR

SMSgt Jody Rodarmel

Increases in pay and allowances will become evident on 15 Jan 01. Many career fields now have enlistment bonuses, initial and/or re-enlistment cash money as an incentive to serve within a specific AFSC. As money continues to grow, investment opportunities should be capitalized on.

Family Support Centers offer a slew of information for investing. Call the Financial counsellors today for yourself and take somebody with you.

Other helpful sites exist too. Military.com just unveiled their site for financial management at: <http://www.military.com/Finance/Credit-Debt/1,,67,00.html>. Other sites of interest can be located at: <http://www.sectorupdates.com/tools.asp>.

Career Assistance Advisor
18 WG/CAA
SMSgt Jody Rodarmel
Bldg. #721, Room H-201
634-3337